

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRICE CHANGE)

Docket No. CP2021-28

COMMENTS OF THE PARCEL SHIPPERS ASSOCIATION
(December 2, 2020)

The Parcel Shippers Association (PSA) respectfully submits these comments in response to PRC Order No. 5754.¹ On November 16, 2020, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for competitive products.² The Postal Service represents that, as required by 39 CFR 3015.2(b), the Notice includes an explanation and justification for the changes, the effective date, and a schedule of the changed rates. See Notice at 1. The changes are scheduled to take effect on January 24, 2021. *Id.*

Founded in 1953, PSA represents companies that sell and ship goods to consumers and companies that support the parcel shipping industry. A list of PSA members is available on its website, www.parcelshippers.org. PSA's mission is to foster competition in the parcel delivery market. It creates value for its members by promoting the best possible service at the lowest possible costs. PSA comments on three matters: (1) the minimum contribution requirement; (2) the price increase for Parcel Select Lightweight; and (3) and the importance of encouraging worksharing.

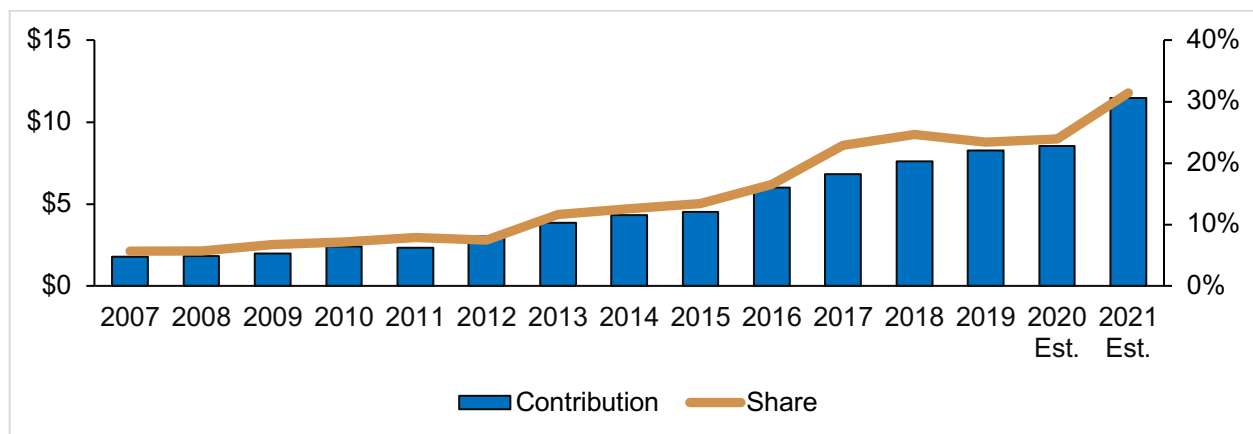
¹ Order No. 5754, Notice and Order Concerning Changes in Rates of General Applicability for Competitive Products, November 17, 2020.

² USPS Notice of Changes in Rates of General Applicability for Competitive Products, November 16, 2020 (Notice).

The Minimum Contribution Requirement

The Postal Service demonstrates that the noticed rates comply with the minimum contribution requirement imposed by amendments made by the 2006 Postal Accountability and Enhancement Act³ (see 39 U.S.C. 3633). The Postal Service projects that competitive products will cover their attributable costs and contribute \$11.5 billion⁴ to institutional costs in FY 2021, a 38.9 percent increase from FY 2019, the most recent year for which actual contribution data are available. This contribution represents 31.4 percent⁵ of institutional costs, well above the 9.1 percent required by the Commission. See Notice at 3. The claims of some that the Postal Service is “subsidizing” its competitive products with revenues from its market dominant product line are clearly unfounded. Indeed, the competitive products business has become increasingly important to the maintenance of a universal, affordable postal system for letters and flats as well as packages.

Figure 1. Competitive Product Contribution (Billions) to Institutional Costs and Share of Institutional Costs⁶



³ Pub. L. No. 109-435, 120 Stat. 3198 (Dec. 20, 2006)(PAEA).

⁴ See United States Postal Service Notice of Changes in Rates of General Applicability for Competitive Products, November 16, 2020, page entitled “Competitive Rate Changes, January 24, 2021 Implementation.”

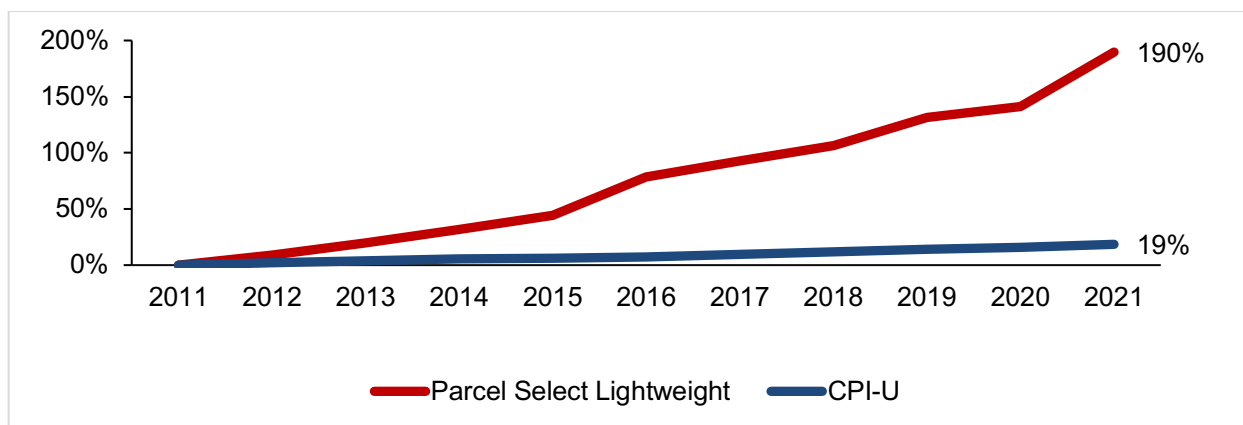
⁵ *Ibid.*

⁶ See Annual Compliance Determination Reports, Docket No. CP2019-3 (Notice of Changes in Rates of General Applicability for Competitive Products, October 10, 2018), and Docket No. CP2020-5 (Notice of Changes in Rates of General Applicability for Competitive Products, October 9, 2019).

Parcel Select Lightweight Price Increase

In this proceeding the Postal Service proposes to raise Parcel Select Lightweight rates by 20 percent. With this increase, the cumulative price increase for Parcel Select Lightweight since its FY 2012 transfer to the competitive product category is nearly 200 percent, about 10 times the rate of inflation during the same period.

Figure 2. Parcel Select Lightweight Price Increase vs Inflation



Further, past arguments for large increases, that they were necessary to make the PSLW product profitable, no longer apply. Although it is not publicly reported, PSA is confident the cost coverage for PSLW exceeds the system-wide cost coverage for all mailing and shipping products combined, and for the mailing and shipping categories individually.⁷ This product is now very profitable.

A tipping point has been reached for at least a portion of the PSLW product that includes low-retail priced items such as cell phone accessories, fashion accessories, home goods, gadgets, and “As Seen on TV” type items. PSA members report the combined delivery cost (destination entry postage plus third-party sorting and transportation fees) for these workshared products exceed \$3.00 and is approaching \$5.00. Such lightweight goods often retail for \$9.99 to \$14.99. Shipping costs of this magnitude are too large to pass along to end consumers, especially in a marketplace where “free shipping” is now the expectation. Once the pandemic subsides, much of the ecommerce consumer demand may remain, but the escalating postal rates on these

⁷ The most recently reported coverages are market dominant 152%; competitive 158%; combined 156%. See FY 2019 Public Cost and Revenue Analysis.

low-priced, lightweight retail goods may not continue to be paid by sellers or absorbed by consumers. This model is not sustainable. Also, some PSA merchants offer a bill-me-later model which carries the additional business risk of shipping merchandise before payment. The millions of consumers who are served through this bill-me-later model, many of whom reside in rural America, will be hard pressed to find free-credit, affordable, and convenient offers elsewhere.

The Importance of Encouraging Worksharing

PSA Members report they have stressed with postal officials the need to develop retention strategies for the lightweight parcel business. In FY2019 workshare partners began taking more volume into their own network and away from the Postal Service. While that trend likely cannot be reversed it can be mitigated with destination entry increases more in line with inflation. PSA has long supported and encouraged worksharing and partnerships with the private sector.⁸ Destination entry of parcels, as a whole, has been a success story for the Postal Service. The proposed Parcel Select Non-Lightweight parcel price increases, on a percentage basis, favor “last mile” versus “upstream” entry and encourage private company operational involvement in the “middle mile” upstream activities of the Postal Service. This is a step in the right direction.

PSA appreciates the Commission’s consideration of these comments.

Respectfully submitted,

/s/

James Pierce Myers
Attorney at Law
General Counsel for the
PARCEL SHIPPERS ASSOCIATION

320 South West Street Ste 110
Alexandria, Virginia 22314
(703) 627-5112
jpm@piercemyers.com

⁸ See, e.g., Docket No. RM2017-3, Comments of the Parcel Shippers Association Pursuant to Commission Order No. 3673, March 20, 2017, at 5-6.